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ASSISTANT SECRETARY
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Memorandum of Conversation

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SUBJECT: Chinese Ambassador's Inquiries on Several Aspects of U.S. Policy Towards the GRC

PARTICIPANTS: Dr. V. K. Wellington Koo, Chinese Ambassador

Everett F. Drumright, Acting Assistant Secretary for FE
Edwin W. Martin, Acting Director for Chinese Affairs

Action Taken

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The Chinese Ambassador, V.K. Wellington Koo, called at his request on Mr. Drumright this morning for the purpose of reviewing several aspects of U.S. policy toward the GRC. During the course of the conversation the Ambassador raised the following subjects:

1. Mutual Defense Treaty - Ambassador Koo recalled that during his brief visit to Formosa last month Secretary Dulles had discussed the question of a mutual defense treaty with President Chiang Kai-shek and had indicated to President Chiang that he intended to discuss the matter with President Eisenhower upon his return to the United States. Ambassador Koo wondered whether Mr. Dulles had discussed this matter with President Eisenhower and, if so, what decisions had been taken. Mr. Drumright replied that he did not know for certain whether the Secretary had discussed this question with President Eisenhower, but noted that the Secretary had stopped in Denver on his return from the Philippines and Formosa and said that it may be assumed that the Secretary had discussed the matter with the President. As for what the outcome of such a discussion might be, Mr. Drumright said that Mr. Robertson would have been informed and presumably had instructions which would enable him to discuss the subject further with President Chiang in Formosa.

2. Expansion of GRC Armed Forces - Ambassador Koo recalled that early in the year the Chinese Government had submitted a plan for expansion for the Chinese Army known as the KAI plan but had not yet received a reply from the United States. He mentioned also the Chinese Government's desire to expand a reserve training program, particularly in view of the stepped-up Communists attacks on the off-shore islands

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islands. Mr. Drumright indicated that we had received reports from Taipei that President Chiang had raised this subject in conversations with Ambassador Rankin, General Chase and Mr. Moyer of FOA. He told Ambassador Koo that the question of U.S. support for increased Chinese Army forces continued to be under close study by the Department. Mr. Drumright pointed out that there were certain things which the Chinese themselves might do to improve their armed forces. He mentioned specifically the desirability of bringing existing divisions up to full strength and the need for replacing older and physically unfit soldiers with young recruits. Ambassador Koo replied as to the first point Mr. Drumright's suggestion was in line with the position of MAAG but that the Chinese Government had long held a different view, preferring to have more divisions even though under strength than fewer divisions at full strength. Ambassador Koo acknowledged that the second point was an important one but pointed out the difficulty of providing for the older men who would be released from the armed forces.

3. "Neutralization" of Formosa - Ambassador Koo said that his Government was somewhat concerned over the advocacy in some quarters in the United States of a return to a policy of "neutralization" of Formosa. He mentioned specifically views expressed by the American Association for the United Nations and the ADA. Mr Martin remarked that we had received through our embassy at Taipei a similar expression of concern from the Chinese Foreign Office and had replied that while there was some advocacy of neutralization of the Formosa Straits in some sectors of public opinion there was no thought in official quarters of reversion to the situation that existed before President Eisenhower modified the 7th Fleet directive in February 1953.

4. Off-shore Islands - Ambassador Koo inquired as to U.S. intentions with respect to the Chinese Nationalist-held off-shore islands, referring in this connection to a report in Robert Allen's column in the New York Post to the effect that there had been some discussion in Denver of this problem and indicating that the United States was not prepared to assist in their defense. Mr. Drumright and Mr. Martin pointed out that so far as we were aware the U.S. position with respect to the off-shore islands remained the same: we were providing logistic support, we continued advocating the determined defense of the islands by the Chinese Nationalist forces, and while we were not committed to assist in their defense with U.S. forces, neither were we committed not to. Mr. Drumright referred to Secretary Dulles' statement on the matter as being the best description of our position.

5. Threatened Deportation of Anti-Communist Chinese from Indonesia - Ambassador Koo said that reports had been received from Indonesia that several prominent anti-Communist overseas Chinese were to be deported to Communist China for engaging in anti-Communist political activities in Indonesia. He felt that this was a serious matter and asked whether the U.S. could help to avert it. Mr. Drumright pointed out that we had been apprised of this development, both by Taipei and Djakarta and that while we could not undertake formal representations with the Indonesian Government in a matter of this kind a member of our Delegation to the UN had spoken informally to the Indonesian Foreign Minister. Latest reports indicated that it was extremely unlikely that any of the anti-Communist Chinese would be deported to Communist China. Mr. Drumright assured the Ambassador that we regarded this matter seriously and would continue to watch developments closely.

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